

# Economics

**Standard ECON-2** The student will demonstrate an understanding of markets and the role of supply and demand in determining price and resource allocation.

**ECON-2.4** Explain the effect of shortages and surpluses in a market economy, including the effect of price controls (ceilings and floors) in causing shortages or surpluses, changes in the price of products as a result of surplus or shortage, and market mechanisms for eliminating shortages and surpluses and achieving market equilibrium.

**Taxonomy Level:** B 2 Understand /Conceptual Knowledge

**Previous/future knowledge:**

In second grade (2-5.1, 2-5.2) students identified examples of markets and price in the local community and summarized the concept of supply and demand and explained its effect on price. In third grade (3-4.5, 3-5.5) students summarized the effects of the Civil War on the daily lives of people of different classes in South Carolina and later, explained the effects of the Great Depression and the New Deal on daily life in South Carolina, including the widespread poverty and unemployment and the role of the Civilian Conservation Corps.

In fifth grade (5-3.1, 5-3.3) students explained how the Industrial Revolution was furthered by new inventions and technologies, including new methods of mass production and transportation and further explained the effects of immigration and urbanization on the American economy during the Industrial Revolution, including the role of immigrants in the work force and the growth of cities, the shift from an agrarian to an industrial economy, and the rise of big business. Also in fifth grade (5-4.2, 5-4.3) students summarized the stock market crash of 1929 and the Great Depression, including economic weakness, unemployment, failed banks and businesses, and migration from rural areas and explain the immediate and lasting effect on American workers caused by innovations of the New Deal, including the Social Security Act, the Federal Deposit Insurance Corporation, and the Civilian Conservation Corps.

In middle school (8-3.6, 8-5.5) students compared the effects of the Civil War on daily life in South Carolina and summarized the human, agricultural, and economic costs of natural disasters and wars that occurred in South Carolina or involved South Carolinians in the late nineteenth century. Eighth grade students (8-6.5) also explained the effects of the Great Depression and the lasting impact of New Deal programs on South Carolina, including the Rural Electrification Act, the Civilian Conservation Corps, Works Progress Administration and Public Works Administration.

In high school (USHC 7.4, 7.5) students explained the causes and effects of the stock market crash of 1929 and the Great Depression and compared the first and second New Deals as responses to the economic bust of the Great Depression.

**Future Knowledge**

While no future knowledge is required, students should have a basic understanding of and be able to identify examples of market failure. In order to be informed voters and consumers students should have an adequate understanding of methods of government intervention, like price ceilings and price floors, as well as the possible outcomes of this kind of government intervention. Further, when faced with a shortage or surplus in their own lives, it is important for students to understand basic market forces that generate, perpetuate, or can eliminate these.

**It is essential for students to know**

Students must understand the definition of a shortage and surplus. Students must further understand the graphical illustration of a shortage and a surplus. Students should be able to explain and illustrate graphically the impact on prices and market quantity due to shortages and surpluses. Students should understand examples of shortages and surpluses.

Students should understand the definition of price ceiling and price floor and should clearly understand how these policy measures create shortages and surpluses. Examples of these policies and their outcomes would be appropriate. Students should have a clear understanding conceptually and graphically of the market mechanisms required to eliminate a shortage or surplus.

**It is not essential for students to know**

Students do not need to know other examples of price controls beyond price ceilings and price floors. It is not essential for students to understand the policy incentives behind government intervention in the form of price ceilings and price floors.

**Assessment guidelines:**

Appropriate assessment requires students to *explain* the effects of shortages and surpluses in a market economy; therefore, the primary focus of assessment should be to *compare* and *contrast* the market outcomes of shortages and surpluses. However, appropriate assessments should also require students to *recall* the role of price in establishing market equilibrium and to further infer the role of price and other market forces in eliminating shortages and surpluses.